GOVERNMENT OF INDIA
DISINVESTMENT
LOK SABHA

UNSTARRED QUESTION NO:5698
ANSWERED ON:30.04.2003
PARTICIPATION OF EMPLOYEES IN BIDDING OF PSUS
V. VETRISELVAN

Will the Minister of DISINVESTMENT be pleased to state:

(a) whether the Government have allowed the employees to participate in bidding in the sale of PSUs;

(b) if so, whether any guidelines have been issued in this regard; and

(c) if so, the details thereof?

Answer

MINISTER OF COMMUNICATIONS AND INFORMATION TECHNOLOGY AND MINISTER OF DISINVESTMENT (SHF SHOURIE)

(a) to (c) Yes, Sir. Government has issued guidelines for management − employee bids in strategic sale under O.M. No. 4/38/2002/DD II dated 25th April, 2003,. The following guidelines have been laid down for evaluating the employee/management bids.

(i) The term 'employee' will include all permanent employees of a PSU and the whole time directors on the board of the PSU. A bid submitted by employees or a body of employees will be called an "employee bid".

(ii) At least 15% of the total number of the employees in a PSU or 200 employees, which ever is lower, should participate in the bid.

(iii) An employee bid would be exempted from any minimum turn over criterion but will be required to qualify in terms of the prescribed net worth criterion. They will be required to follow the procedures prescribed for participation by Interested Parties in the process of strategic sale including, but not limited to, filing the expression of interest along with all details, as applicable to other investors, furnishing of bank guarantee for payment of the purchase price etc.

(iv) Employees can either bid directly and independently or, for the purpose of meeting the financial criteria like net worth, can form a consortium or bid through a joint venture (JV) or a special purpose vehicle (SPV), alongwith a bank, venture capitalist or a financial institution. However employees will not be permitted to form consortia with other companies.

(v) If the bidding entity of the employees is a consortium, JV or SPV, employees must have a controlling stake and be in control of the bidding entity.

(vi) If the bid is submitted through a consortium, JV or SPV, employees must contribute at least 10% of the financial bid.

(vii) If the employees form a consortium, the consortium partners would be prohibited from submitting individual bids independently.

(viii) If it is not the highest bid, the employee bid shall be considered only if the said bid is within 10% of the highest bid.

(ix) The employee bid shall, subject to fulfilling the conditions above, have the first option for acquiring the shares under offer provided they match the highest bid and the highest bid being equal to or more than the reserve price.

(x) If the employee bid is not the highest bid and there are more than one employee bids within the 10% band, the highest of the employee bids will have precedence for purchase at the highest bid. If such employee bidder is unwilling or unable to match the highest bid, the option will pass on to the next highest employee bid and so on till all the employee bids, within the 10% band, are exhausted.

(xi) In the event of no employee bidder, within the 10% band, being willing or able to match the highest bid, the shares under offer will be sold to the highest bidding entity.

(xii) There will be a lock in period of three years for the shares disinvested by the Government.

All the bidders for the management-employee buy-outs will also have to satisfy the provisions of the 'Guidelines for qualification of bidders seeking to acquire stakes in Public sector Enterprise through the process of disinvestment' issued vide the then Department of Disinvestments Office Memorandum No. 6/4/2001-DD-II dated 13thJuly 2001 or as amended subsequently along with other

qualification criterion as generally applicable and not specifically excluded herein.